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A look behind the Texas thrifts deal

By Robert J. Cole

New York Times News Service

NEW YORK — The day before Thanksgiving, Michael L. Tarnapol, an investment banker at Bear, Stearns & Co., placed a telephone call to Howard Gittis, a vice chairman of Revlon Group and a longtime associate of Ronald O. Perelman, Revlon's billionaire chairman.

Tarnapol knew of a deal involving several Texas savings and loans, and he thought Perelman might be interested.

The deal would take a lot of money, Tarnapol noted, and a lot of fast footwork because it had to be done before the end of the year.

Going on gut instinct and an old relationship with Bear Stearns, Gittis expressed immediate interest and turned loose 30 of Revlon's financial and analytical experts to study the deal.

By the following Sunday, just four days later, the team's main conclusions were in:

■ The Texas real estate market had hit bottom and was on the way up.

■ The savings institutions, when combined, would have 800,000 depositors, the most in Texas.

■ The new banking group would hold a very significant franchise, controlling 10 percent of all S&L deposits in Texas and 5 percent of total savings deposits in the state, including those of the commercial banks.

As the study group saw it, an approaching turnaround in Texas real estate plus the prospects for that kind of deposit-gathering represented "enormous earnings potential."

Tax benefits were a factor, too, but people close to Perelman insisted that he was motivated by the economics of the situation, not the tax aspects.

The deal came highly recommended.

Working with Ward W. Woods Jr. of Lazard Freres & Co., Bear Stearns united Perelman and an investor group headed by bankers with an established track record in turnaround situations — Robert K. Utley, president and chief executive of the Seamen's Corp., which owns Seamen's Bank for Savings of New York, and Gerald J. Ford of Dallas, head of Ford Bank Group.

An executive close to Perelman also noted that Blackstone Group, led by Peter G. Peterson, a former commerce secretary, acted as adviser to the Federal Savings and Loan Insurance Corp. and "ran a very professional analysis."

There were two principal reasons for speed.

The Federal Home Loan Bank Board, which was helping to put the deal together, has a goal of committing $1 billion of new capital to Texas savings and loans by the end of the year, and this deal would be the largest.

Also, the tax benefits for such deals this year are considered much more advantageous than those that will be available in the future.

For their part, Bear Stearns and Lazard were encouraged to act quickly because they knew that to earn a fee estimated at close to $5 million they would have to head off other bidders.

The biggest competitor among the six that are thought to have eventually made an offer was Ford Motor Co.

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